REMARKS

Claims 1-6 and 14-36 are in the application.

Claim 33 is amended to correct a grammatical error.

Claims 1-5 are rejected as being obvious under 35 U.S.C. § 103 over Silverman et al., US 5,924,082 in view of Brown ("Taxing repos and stock loans").

As acknowledged by the Examiner, Silverman does not disclose that the securities traded are repurchase agreements, and therefore does not provide support for conveying the required information in the proper form for matching and executing such trades. It is well established in patent law that a disclosure of a generic scheme does not render a specific scheme unpatentable, unless the limitations of that specific scheme are taught or suggested by the art. The Examiner's analysis, stating that "Utilizing the system and method of Silverman, a user seeking to trade a repurchase agreement **can** therefore enter preliminary terms to the agreement in order to be matched with a counterparty with a similar interest" is inapposite, if Silverman or the art does not actually teach that the user **does** in fact do so.

In fact, applicants disagree that Silverman et al. discloses the elements as defined by the claims, except perhaps "a plurality of trading terminals, each having a user interface comprising a display and keyboard" and "a central processor, for establishing communications between said trading terminals," and Silverman et al. is expressly lacking in disclosure of repurchase agreements, net party-counterparty exposure information, compensating margin transfer, and presentation of "a hierarchal list of repurchase agreement opportunities and information related to the net party-counterparty exposure".

Brown is cited to demonstrate that it was known in the art to store and indicate net exposure information to counterparties involved in a repurchase agreement, as well as a

compensating margin transfer. In fact, applicants' Background of the Invention provides similar disclosure, and therefore this reference adds little to the record. Brown, however, does not encompass an automated trading system for repurchase agreements, and thus merely reiterates well known aspects of repurchase agreement trading.

The problem with existing systems is that they cannot preserve anonymity with respect to valuable private information which is represented in the initial stages of a repurchase agreement negotiation, such as the interest in loaning or borrowing securities, which securities are of interest, the amount of securities to be traded, the term of securities to be traded, etc., while respecting the subjective aspects of trading in repurchase agreements While this aspect is expressly represented in claim 2, aspects of its are inherently present in claim 1, since it is the central processor of claim 1 which performs the party-counterparty exposure calculations (and therefore not the remote terminals, which would require transmission of counterparty-identifying information). (Note also that the central system of Best does not perform this function, either.)

Silverman Col. 4, lines 10-12 does not disclose that a party communicates its counterparty exposure information to the central system (and therefore represent a dynamic condition which could change over the course of trading), but rather only that they be "mutually acceptable trading partners", a reference to a likely static indication.

Neither Silverman nor Brown (or other known systems) provide a system or method in which the party-counterparty exposure is determined remote from a user seeking to negotiate a trade, and therefore the Examiner has failed to establish a prima facie case of obviousness.

Reconsideration of the rejection of claims 1 and 2 is requested.

Claims 14-19, 21-28 and 30-35 are rejected as being obvious under 35 U.S.C. § 103 over Silverman et al., US 5,924,082 in view of Brown ("Taxing repos and stock loans"), and further in view of Best ("European repo to go electronic").

The Best article describes a future system in which "The central system will operate on an automatic order-matching basis and give users full anonymity. Rather than a series of bilateral relationships between participants, a central clearing partner will act as counterparty to all trades, providing for multilateral netting." (Emphasis added). While this article does indeed disclose a theoretical automated system which provides anonymity, it proposes to do so in a different way than the present invention, with quite different consequences. For example, a party's counterparty exposure would be entirely with the central clearing partner, who for various reasons may be unacceptable in that role, or at least an undue consolidation of risk. Likewise, the central clearing partner is itself in a position to exploit the private information from individual traders, and exploit this information to its advantage, since it is itself a party to eac h transaction. Further, there may be quite different tax effects to the central clearing partner (see Brown). Therefore, the architectural differences between the present invention and the system described in the Best disclosure are substantial and material.

With respect to claim 14, the claim includes the language: "indicating to a party at a respective user terminal a compensating margin transfer for the net party counterparty exposure based on said net party-counterparty exposure information for a repurchase agreement opportunity." In accordance with Best, the counterparty would always be the central trading system, so a counterparty exposure analysis, and compensating margin transfer, if implemented, would be quite different—the central trading system would likely never acknowledge that it is itself an exposure risk, thus making any compensation for counterparty risk a one-sided

proposition at best. In fact, Best provides no relevant disclosure as to how this problem might be solved, and merely states that these are decisions to be made in the future: "We will come to a decision based on who is offering the maximum product flexibility, the lowest cost to the market and the most robust legal infrastructure from a netting and default perspective."

Applicants particularly traverse the Examiner's conclusion that "It would have been obvious to a person of ordinary skill in the art at the time of the invention to include the teachings of Best to the disclosure of Silverman so that counterparties can utilize the system anonymously and not reveal their trading intentions and strategies to competitors." The Best system is completely anonymous, and thus not analogous to the Silverman system, which is anonymous only until the transaction is consummated, but thereafter is not anonymous. Silverman is therefore a counterparty trading system, while Best discloses a centralized system in which each trader transacts directly with a single entity, which theoretically matches each trade, but which does not allow a party to determine its respective risks with respect to various second-generation counterparties, to whom the collateral is subsequently traded. (Since the trades are all anonymous, a trader does not know the risks taken by the centralized system, and therefore cannot accurately estimate the risk of default or other party-specific risks). In fact, it is not clear how a party gains, and against whom, a security interest in the collateral.

With respect to claims 15-18, it is not at all obvious how to extend Best, in accordance with its teachings, to permit trader-to-trader communications, and indeed this is quite inconsistent with the disclosure. Best therefore teaches AGAINST negotiation between parties which involve subjective considerations.

With respect to claims 19 and 21, Best, to the extent described, discloses an attempt to provide a fully automated trading system, and therefore presumably teaches AGAINST a free form text field.

While the general structure of a repurchase agreement is indeed prior art to the present application, the Examiner presupposes too much in grafting a statement of the problem onto systems designed for different purposes to render the solution obvious. Thus, for example, the rejection of claim 22 is respectfully traversed. The references, alone, or in combination, are not enabling for a system as described in claim 22.

With respect to claims 23, 25, 31, 33, 34, and 35, Best teaches AGAINST disclosing an identity of a counterparty (at any time), and thus to the extent that the rejection requires consideration of the teachings of Best, the references together teach against the proposed combination, and fail to set forth a prima facie case of obviousness.

Claim 36 is rejected under 35 U.S.C. § 103 as being unpatentable over Hyam in view of Brown in view of Best. Best has been distinguished as above, and in particular, claim 36 includes the following language which distinguishes that reference:

> storing net party-counterparty exposure information representing at least one of a set of party-counterparty outstanding repurchase agreements and an aggregate of party-counterparty outstanding transactions;
>
> filtering, at a central server, a set of offers for repurchase agreements of securities, based on at least identification of collateral, pricing of collateral, repurchase term, and a net counterparty exposure of a party for at least one of an existing repurchase agreement and a party-counterparty pair, to produce a set of potential transactions;
>
> communicating with a potential counterparty at another user terminal, without disclosing an identity of the party to the potential counterparty or the identity of the potential counterparty to the party, at least one member of the set of possible transactions involving the potential counterparty; and
>
> indicating a compensating margin transfer for the net counterparty exposure.

Thus, it is respectfully submitted that the references, alone or in combination, do not teach or suggest a system or method for trading or negotiating repurchase agreements as set forth in the present claims, and a Notice of Allowance is respectfully solicited.

Respectfully submitted,

MILDE & HOFFBERG, LLP

By _____
Steven M. Hoffberg
Reg. No. 33,511

MILDE & HOFFBERG, LLP
10 Bank Street - Suite 460
White Plains, NY 10606
(914) 949-3100